# Summary of Consolidated Financial Statements for the First Six-Month Period of the Fiscal Year Ending June 30, 2022 [IFRS]

February 9, 2022

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|---|---|
| Listed Company: | MACROMILL, INC. |
| Stock Exchange: | Tokyo Stock Exchange |
| Code Number: | 3978 |
| URL: | https://www.macromill.com |
| Representative: | Toru Sasaki, Representative Executive Officer, Global CEO |
| Contact: | Ryo Takahashi, Vice President, Corporate Communication & IR Division |
| Tel.: | +81-3-6716-0706 |
| Scheduled date to submit quarterly report: | February 14, 2022 |
| Scheduled date of the start of dividends payment: | March 7, 2022 |
| Supplementary material for quarterly financial results: | Yes |
| Briefing on quarterly financial results: | Yes (for analysts and institutional investors) |

(Amounts of less than one million yen are rounded off.)

1. Consolidated Financial Results for the First Six-Month Period of the Fiscal Year Ending June 30, 2022 (from July 1, 2021 to December 31, 2021)

(1) Consolidated Business Performance

(Percentages calculated on year-on-year basis.)

| | Revenue | | Operating profit | | Profit before tax | | Profit for the period | |
|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| First six-month period of the year ending June 30, 2022 | 24,430 | 16.1 | 3,712 | 30.4 | 3,583 | 39.5 | 2,452 | 40.0 |
| First six-month period of the year ended June 30, 2021 | 21,037 | (3.4) | 2,846 | (21.1) | 2,569 | (26.2) | 1,752 | (25.1) |

| | Profit attributable to owners of the parent | | Total comprehensive income for the period | | Basic earnings per share | Diluted basic earnings per share |
|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Yen | Yen |
| First six-month period of the year ending June 30, 2022 | 1,946 | 46.0 | 2,526 | 55.7 | 49.33 | 48.97 |
| First six-month period of the year ended June 30, 2021 | 1,333 | (35.8) | 1,622 | (32.3) | 33.07 | 32.88 |

(Reference)

| | EBITDA | | EBITDA margin |
|---|---|---|---|
| | Million yen | % | % |
| First six-month period of the year ending June 30, 2022 | 5,113 | 18.1 | 20.9 |
| First six-month period of the year ended June 30, 2021 | 4,331 | (12.9) | 20.6 |

(2) Consolidated Financial Position

| | Total assets | Total equity | Equity attributable to owners of the parent | Ratio of equity attributable to owners of the parent |
|---|---|---|---|---|
| | Million yen | Million yen | Million yen | % |
| As of December 31, 2021 | 80,200 | 34,502 | 30,772 | 38.4 |
| As of June 30, 2021 | 84,041 | 32,933 | 29,236 | 34.8 |

2. Dividends

| | Dividend per share | | | | |
|---|---|---|---|---|---|
| | End of 1st quarter | End of 2nd quarter | End of 3rd quarter | Year end | Annual |
| | Yen | Yen | Yen | Yen | Yen |
| Year ended June 30, 2021 | – | 0.00 | – | 13.00 | 13.00 |
| Year ending June 30, 2022 | – | 8.00 | | | |
| Year ending June 30, 2022 (forecast) | | | – | 8.00 | 16.00 |

(Note) Revisions from dividends forecasts announced most recently: No

3. Forecast of Consolidated Financial Results for the Year Ending June 30, 2022 (from July 1, 2021 to June 30, 2022)

(Percentages calculated on year-on-year basis.)

| | Revenue | | Operating profit | | Profit before tax | | Profit for the year | | Profit attributable to owners of the parent | | Basic earnings per share |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 47,400 | 9.8 | 5,100 | (4.9) | 4,700 | (3.8) | 3,200 | (8.4) | 2,700 | (4.3) | 68.47 |

(Note) Revisions from financial results forecasts announced most recently: No

(Reference)

| | EBITDA | | EBITDA margin |
|---|---|---|---|
| | Million yen | % | % |
| Full year | 7,900 | (9.0) | 16.7 |

* Notes

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries accompanied by a change in the scope of consolidation): No

New: –

Exclusion: –

(2) Changes in accounting policies and changes of accounting assumptions

| | |
|---|---|
| (i) Changes in accounting policies as required by IFRS: | No |
| (ii) Changes in accounting policies other than (i): | No |
| (iii) Changes in accounting assumptions: | No |

(3) Number of shares outstanding (common stock)

(i) Number of shares issued (including treasury stock) at the end of the term:

| | | | |
|---|---|---|---|
| As of December 31, 2021 | 40,380,500 shares | As of June 30, 2021 | 40,380,500 shares |

(ii) Number of shares of treasury stock at the end of the term:

| | | | |
|---|---|---|---|
| As of December 31, 2021 | 917,835 shares | As of June 30, 2021 | 841,835 shares |

(iii) Average number of shares during the period:

| | | | |
|---|---|---|---|
| Six months ended December 31, 2021 | 39,459,517 shares | Six months ended December 31, 2020 | 40,320,165 shares |

* Summaries of quarterly consolidated financial statements are not subject to audits conducted by certified public accountants or audit firms.

* Note regarding proper use of results forecasts and other special comments

(1) The Company decided to conduct a share buyback program at the Board of Directors meeting held on May 13, 2021. This transaction, based on the above resolution of the Board of Directors, completed on July 8, 2021. For more information regarding this transaction of the share buyback program, refer to the "Notice Regarding the Status of Share Buyback Program and its Completion" disclosed on July 9, 2021. Note that "Basic earnings per share" in the Forecast of Consolidated Financial Results include the impact of the share buyback program up to July 8, 2021.

(2) The Group applies the International Financial Reporting Standards (hereinafter "IFRS") to and after the fiscal year ended June 30, 2016.

(3) The forward-looking statements, such as results forecasts, included in this document are based on information available to the management as of the date of the document and certain assumptions that the management considers reasonable. The Company does not promise that the forecasts will be achieved. Actual results may differ significantly due to a range of factors.

(4) EBITDA = operating profit + depreciation and amortization + loss on retirement of non-current assets + impairment loss

(5) EBITDA margin = EBITDA / revenue

(6) EBITDA and EBITDA margin are not the indicators specified by IFRS, but are the financial indicators that the Group considers useful for investors to evaluate the business results of the Group.

(7) EBITDA and EBITDA margin should not be considered as indicators to replace the other indicators shown in accordance with IFRS because they do not include some of the items that affect the profit for the year, so they are subject to significant restrictions as a means of analysis. EBITDA and EBITDA margin disclosed by the Group may be less useful in comparison with the same or similar indicators of other competitors because they are calculated using a different methodology from that of other companies.

Accompanying Materials - Contents

## 1. Qualitative Information about Consolidated Financial Results for the Quarter

(1) Overview of operating results for the first six months

(i) Explanation of the operating environment

During the first six months (July 1, 2021 to December 31, 2021), there were changes that reduced the impact of the Covid-19 pandemic on the global and Japanese economies, including an increase in the Covid-19 vaccination rate. There were signs of recovery in corporate activities. However, the highly contagious Omicron variant emerged, and Covid-19 cases rose. As a result, uncertainty is growing once again over economic activities which had appeared to be recovering.

Looking specifically at the marketing research sector, the total global marketplace reached an estimated value of $81.2 billion, with online marketing research accounting for $52.5 billion (*1). In Japan, the size of the overall marketing research sector was 220.2 billion yen, with online marketing research at 80.7 billion yen (*2). Although both the global market and Japanese market were adversely affected by the Covid-19 pandemic for a period of time, we believe that the marketing research sector has returned to a steady growth trend for the medium- to long-term, as marketing research shifts even further online amid the pandemic.

In this economic and market environment, the Group disclosed in August 2021 a new MTBP (Mid-term Business Plan) for the three years up to the fiscal year ending June 30, 2024. The Group has developed strategies to achieve the Plan's targets and is striving to expand business scale and profit. Before the formulation of the new MTBP, the Group changed its management vision in consideration of changes in the business environment in the future. The new vision is "Build your Data Culture". We explain this as follows: "We aspire to be the driving force in helping our clients build data cultures by utilizing our data-native approach to solve today's marketing challenges and support business success."

Guided by this vision, the Company is working to transform its business model into that of a "Professional Marketing Services Company" that not only solves the research challenges of client companies, but also provides better support for overall marketing issues from upstream, particularly in its Japanese operations. The Company will continue to offer innovative services based on varied data obtained from our proprietary consumer panel to spread innovations in the marketing business industry.

(ii) Explanation of the operating results

| Consolidated financial results (Million yen unless otherwise indicated) | Six months ended December 31, 2020 | Six months ended December 31, 2021 | Increase/decrease | Change % |
|---|---|---|---|---|
| Revenue | 21,037 | 24,430 | +3,393 | +16.1% |
| Japan and Korea Business | 16,779 | 18,779 | +2,000 | +11.9% |
| Overseas (ex-Korea) Business | 4,328 | 5,735 | +1,406 | +32.5% |
| EBITDA | 4,331 | 5,113 | +781 | +18.1% |
| Operating profit | 2,846 | 3,712 | +865 | +30.4% |
| Profit before tax | 2,569 | 3,583 | +1,013 | +39.5% |
| Profit attributable to owners of the parent | 1,333 | 1,946 | +613 | +46.0% |

During the first six months, revenue amounted to 24,430 million yen (up 16.1% year-on-year) as both the Japan and Korea Business and the Overseas Business (ex-Korea) segments recorded double-digit growth, reflecting a reduction in the impact of Covid-19 and expansion in demand for marketing services from clients. (For an overview of results by segment, refer to "(iii) Explanation of operating results by segment" in the following section.)

On the expense front, total employee expenses increased significantly as in the first quarter. This is because the Group actively recruited talent to expand research capacity and fulfil orders for research projects as revenue was experiencing a growth trend. We also actively recruited people for the areas of businesses development we agreed to focus on, including the data utilization support (data consulting) business and the marketing activation support (ad distribution, etc.) business. Outsourcing expenses also increased as the Group took steps to incorporate expanding demand from clients as much as possible, through initiatives such as building a structure for receiving orders by using external capacity through outsourcing to supplement internal capacity, which is insufficient at present. Meanwhile, depreciation fell as the Group returned part of its office space due to increased remote working. As a result, total operating expenses climbed from a year ago, but the rate of increase was lower than the revenue growth rate.

Consequently, the Group recorded earnings before interest, taxes, depreciation and amortization (EBITDA) (*3) of 5,113 million yen (up 18.1% year-on-year) for the first six months. Due to the increase in revenue, operating profit, profit before tax, and profit attributable to owners of the parent all increased significantly from the year-ago level, to 3,712 million yen (up 30.4% year-on-year), 3,583 million yen (up 39.5% year-on-year), and 1,946 million yen (up 46.0% year-on-year), respectively.

Return on equity (ROE calculated using the data for the preceding 12 months) stood at 11.6% (up 21.2 percentage points year-on-year, or up 4.3 percentage points year-on-year excluding the goodwill impairment loss recorded in the fourth quarter of the fiscal year ended June 30, 2020). The interest coverage ratio (*4: calculated in the last 12 months) resulted in 17.4 times (compared with -0.9 times in the same period of the previous fiscal year. If the impairment loss of goodwill posted in the fourth quarter of the fiscal year ended June 30, 2020 were excluded, it would have amounted to 12.7 times).

(iii) Explanation of operating results by segment

The overview of operating results by segment of the Group is as follows:

| Consolidated financial results by segment (Million yen unless otherwise indicated) | Six months ended December 31, 2020 | Six months ended December 31, 2021 | Increase/decrease | Change % |
|---|---|---|---|---|
| Revenue | 21,037 | 24,430 | +3,393 | +16.1% |
| Japan and Korea Business | 16,779 | 18,779 | +2,000 | +11.9% |
| Overseas (ex-Korea) Business | 4,328 | 5,735 | +1,406 | +32.5% |
| Segment EBITDA | 4,331 | 5,113 | +781 | +18.1% |
| Japan and Korea Business | 4,019 | 4,198 | +179 | +4.5% |
| Overseas (ex-Korea) Business | 311 | 914 | +602 | +193.2% |
| Segment profit or loss | 2,846 | 3,712 | +865 | +30.4% |
| Japan and Korea Business | 2,883 | 3,198 | +315 | +10.9% |
| Overseas (ex-Korea) Business | (36) | 513 | +550 | – |

(Japan and Korea Business)

In Japan, despite the impact of the Covid-19 pandemic, demand for marketing research from client companies was experiencing a growth trend as economic activities gradually recovered. During the second quarter, the Group resumed the operation of a part of its offline research services in response to the end of a state of emergency. Revenue from online research was strong owing to the expansion of deal sizes as a result of the integration of sales and delivery and a proposal-oriented sales approach, among other initiatives, which the Group has been pursuing since the previous fiscal year. Revenue from digital and other new business fields also grew strongly. As a result, revenue in the first half increased in double digits year-on-year.

In Korea, a movement to substitute offline research with online research accelerated following the pandemic. The Group, which excels in online research, maximized this business opportunity and continued to grow revenue from online research. Sales activities in the digital business, including the panel big data service, also rose steadily. As a result, the Group achieved double-digit year-on-year increases in revenue in the Korea Business in the first six months.

Consequently, the Japan and Korea Business segment recorded revenue of 18,779 million yen (up 11.9% year-on-year) for the first six months. In terms of expenses, outsourcing expenses increased to meet the recent growth in research demand and total employee expenses rose sharply to develop a structure for receiving orders in the future. However, the effect from increased revenue more than offset the higher expenses, and segment profit rose to 3,198 million yen (up 10.9% year-on-year).

(Overseas (ex-Korea) Business)

In the Overseas Business (ex-Korea), we operate in North America, Europe, Latin America, the Middle East and certain Asian countries which are reported separately from Japan and Korea. The business was significantly affected by Covid-19 in the first quarter of the previous fiscal year, but since then, it has been recovering steadily. The Group gained wallet share of some global key accounts (*5) and acquired new projects. Revenue in the Overseas Business (ex-Korea) segment was therefore strong in the second quarter, as in the first quarter, and grew significantly from a year earlier.

As a result, the Overseas Business (ex-Korea) segment recorded revenue of 5,735 million yen (up 32.5% year-on-year) and a profit of 513 million yen (a loss of 36 million yen a year ago) the first six months .

Financial results including revenue of MACROMILL EMBRAIN CO., LTD. in the Japan and Korea Business segment are prepared based on the Korean won, while revenue and other financial results of the Overseas Business (ex-Korea) are prepared based on the Euro. The exchange rates used for each are shown in below table.

| Computation period (Six months) | Six months ended December 31, 2020 | Six months ended December 31, 2021 | Change rate |
|---|---|---|---|
| JPY/EUR (yen) | 124.05 | 130.32 | +5.1% |
| JPY/KRW (yen) | 0.0913 | 0.0960 | +5.1% |

The average currency exchange rates used for trades during the second quarter are shown below:

| Computation period (Three months) | Three months ended December 31, 2020 | Three months ended December 31, 2021 | Change rate |
|---|---|---|---|
| JPY/EUR (yen) | 124.03 | 130.45 | +5.2% |
| JPY/KRW (yen) | 0.0923 | 0.0963 | +4.3% |

Notes:

(1) Source: ESOMAR Global Market Research 2021, announced by the European Society for Opinion and Marketing Research (ESOMAR) in September 2021. ESOMAR has expanded the definition of the global marketing research market since last year (from the 2020 report). We state a global market size according to the new definition provided by ESOMAR from this year. (Since ESOMAR report 2021 does not disclose Scenario 2, which is described in the report 2020, the closest definition to the former market size). In addition, we state the market size based on the estimation on 2021, newly provided by ESOMAR in its 2021 report (ESOMAR had only reported a past performance in its report previously. But from the report 2021, ESOMAR has newly disclosed the future estimates for 2021 since there is an impact of Covid-19 on 2020 figure).

(2) Source: JMRA 46th Annual Business Management Survey, announced by Japan Marketing Research Association (JMRA) in June 2021.

(3) EBITDA: Earnings before interest, tax, depreciation and amortization. The Company defines it as operating profit + depreciation and amortization + loss on retirement of non-current assets + impairment loss. The Company uses it as a major management indicator to measure the profitability of each business as it enables us to calculate the size of cash flow generated from each business more accurately.

(4) Interest Coverage Ratio = (operating profit + interest income + dividends income) / interest expense.

(5) Global Key Accounts: Corporate groups operating globally by leveraging their large research and marketing budgets that the Company considers as key accounts for the Group to grow further. The Group seeks to increase sales activity to such accounts on a global basis.

(2) Explanations of the financial position

(i) State of assets, liabilities, and equity

At the end of the first six months, assets totaled 80,200 million yen, a decrease of 3,841 million yen from the end of the previous fiscal year. This was mainly the result of increases such as a 1,441 million yen rise in trade and other receivables, which offset a 6,310 million yen decrease in cash and cash equivalents.

Liabilities stood at 45,698 million yen, down 5,409 million yen from the end of the previous fiscal year. This was mainly due to a decrease in bonds and borrowings of 5,780 million yen.

Equity was worth 34,502 million yen, an increase of 1,568 million yen from the end of the previous fiscal year. The rise was largely attributable to profit for the period of 2,452 million yen, which offset dividends paid of 871 million yen.

(ii) State of cash flow

Cash and cash equivalents ("cash") at the end of the first six months decreased 6,292 million yen from the end of the previous fiscal year, to 12,769 million yen. The status of each of the cash flow segments and contributing factors in the first six months are as follows.

(Cash flow from operating activities)

Net cash provided by operating activities amounted to 1,360 million yen (up 376 million yen year-on-year).

This was mainly the result of 3,583 million yen of profit before tax and 1,394 million yen of depreciation and amortization, partially offset by a 2,640 million yen increase in trade and other receivables and 1,154 million yen of income taxes paid.

Trade receivable turnover in days and trade payable/panel point reserves turnover in days stood at 88.9 days (down 0.5 days year-on-year) and 54.7 days (up 2.1 days year-on-year), respectively.

(Cash flow from investing activities)

Net cash used in investing activities came to 291 million yen (down 320 million yen year-on-year).

This was primarily due to the acquisition of property, plant and equipment of 188 million yen and the acquisition of intangible assets of 369 million yen, which offset the income gain due to the sale of investments of 297 million yen.

(Cash flow from financing activities)

Net cash used in financial activities was 7,362 million yen (up 5,237 million yen year-on-year).

The cash outflow primarily reflected repayments of long-term borrowings of 825 million yen, the redemption of bonds of 5,000 million yen, repayment of lease liabilities of 575 million yen, and dividends paid of 513 million yen.

(3) Explanations of the forward-looking information including forecast of consolidated financial results

The Group makes no change to its forecast of consolidated financial results for the fiscal year ending June 30, 2022 announced on August 12, 2021 at the present point.

The Group prepared the forecast of consolidated financial results based on information accessible as of the date of its announcement. A variety of future factors may cause actual financial results to differ from its forecasts.